

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Fenton	County Genesee
Audit Date 12/31/04	Opinion Date 3/24/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

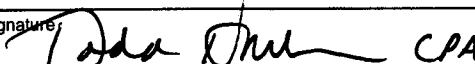
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature  CPA		ZIP 48502	Date 6/28/05

Financial Statements

**Charter Township of Fenton
Genesee County, Michigan**

December 31, 2004

**Charter Township of Fenton
Financial Statements
For the Year Ended December 31, 2004**

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Financial Statements
For the Year Ended December 31, 2004**

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**Charter Township of Fenton
Genesee County, Michigan
List of Elected Officials
December 31, 2004**

Bonnie K. Mathis, Supervisor

Robert E. Krug, Clerk

Patrick J. Carmody, Treasurer

Tony L. Brown, Trustee

Calvin C. Gatesman, Trustee

Mark A. Goupil, Trustee

Lorraine M. Zimmer, Trustee

Independent Auditors' Report

Board of Trustees
Charter Township of Fenton
Fenton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton (Township) as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B., the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 8 and the information in the required supplementary information section on pages 38 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section and the individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statement has been subject to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

March 24, 2005

Management's Discussion and Analysis

Charter Township of Fenton Management's Discussion and Analysis

This section of the Fenton Township annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on December 31, 2004. Please read it in conjunction with the Township's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No. 34

Fenton Township is implementing the new Governmental Accounting Standards Board Statement No. 34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year Fenton Township is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require Fenton Township to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. Fenton Township will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Township's Total Net Assets are \$12.9 million at December 31, 2004. Unrestricted net assets were \$3.1 million.
- During the year, the Township's expenditures were \$13,168 less than the \$3,442,574 generated in taxes and other revenues for all governmental funds combined.
- General Fund expenditures exceeded revenues by \$125,673 as excess cash reserves were utilized to fund some current year expenditures. The year-end fund balance of \$556,129 represents approximately three months of expenditures, well within the target range of 2½ to 4 months.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, fund financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the sewer system that the government operates like a business.
- Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Individual fund statements for the agency funds are the final statements presented.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Fenton Township's
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	Government-wide	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Agency funds statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, recreation, and general administration. Property taxes, special assessments, user fees, and state and federal grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is the only business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has four governmental funds: the General Fund, the Fire Fund, the Solid Waste Management Fund and the Mosquito Control Fund.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Township has only one proprietary fund, the Sewer Fund.
- Fiduciary funds – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

Net assets

The Township's governmental activities net assets are \$3.2 million. The unrestricted governmental activities net assets are \$2.6 million. Business-type activities net assets are \$9.7 million with \$2.9 million being invested in capital assets net of related debt, and \$6.3 million restricted for future capital improvements.

Governmental Activities

General Fund:

The Township's General Fund revenues were \$2.216 million this year. Property taxes were \$648,000 or 29.2% of the total revenues. Federal grants and State revenue sharing made up \$977,675 or 44.1% of the total revenue. The remaining 16.7% of General Fund revenues are comprised mostly of Charges for Services, Fines & Forfeits and Interest Revenue.

As the Township completed the year, its General Fund reported a fund balance of \$556,129. This was a decrease of \$125,673 from the prior year.

Other Governmental Funds:

Other governmental funds total revenues were \$1.2 million with special assessments for waste collection, fire services, and mosquito control services totaling \$1.1 million (93.8% of revenues). Total expenditures were \$1.087 million.

Business-Type Activities

Operating revenues of the Township's business-type activities (sewer services) increased \$26,521 from the prior year of \$2,007,697 to the current year total of \$2,034,218. Operating expenses increased by \$211,450. The major factor contributing to the increase was a \$170,298 increase in depreciation expense. Net changes from non-operating activities decreased from net revenue of \$659,712 to a net revenue of \$280,394, due primarily to a decrease in property tax revenue. The sewer fund net assets decreased \$1.4 million during 2004 mainly due to continued repairs and maintenance to the sewer lines.

Capital Assets

At the end of 2004, the Township had invested \$3.468 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having municipalities reconstruct all of the required information, GASB has allowed smaller units of government like Fenton Township to report infrastructure assets on a prospective basis after adopting the new reporting standard.

Long-term Debt

At year-end the Township had \$1.989 million in governmental long-term debt, including \$385,000 in special assessment debt. In the Sewer Enterprise Fund the Township had \$26.834 million in bonds outstanding. This includes \$16.6 million in bonds issued over the past two years to finance the construction of additional sewer capacity and major rehabilitation of the sanitary sewer system.

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. Our legal debt limit is \$78.366 million. Debt issued for sewer activities and special assessments are exempt from the 10% limitation.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fenton Township Office.

Basic Financial Statements

Government-wide Financial Statements

**Charter Township of Fenton
Statement of Net Assets
December 31, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,173,491	\$ 1,334,421	\$ 2,507,912
Receivables (net of allowances for uncollectibles)	1,955,842	556,714	2,512,556
Internal balances	(8,261)	8,261	-
Prepays	42,525	1,433	43,958
Deferred charges	-	68,250	68,250
Restricted assets:			
Cash with agent	-	6,325,628	6,325,628
Capital assets (net of accumulated depreciation)	2,474,163	28,764,624	31,238,787
Total assets	5,637,760	37,059,331	42,697,091
Liabilities			
Accounts payable	281,316	196,325	477,641
Accrued interest payable	-	189,812	189,812
Deposits	41,930	-	41,930
Due to other governmental units	151,017	-	151,017
Deferred revenue	-	112,194	112,194
Noncurrent liabilities:			
Current portion of debt	288,696	996,780	1,285,476
Long term portion of debt	1,700,774	25,836,972	27,537,746
Total liabilities	2,463,733	27,332,083	29,795,816
Net Assets			
Invested in capital assets, net of related debt	539,947	2,927,652	3,467,599
Restricted for:			
Capital improvements	-	6,325,628	6,325,628
Unrestricted	2,634,080	473,968	3,108,048
Total net assets	\$ 3,174,027	\$ 9,727,248	\$ 12,901,275

See notes to financial statements.

**Charter Township of Fenton
Statement of Activities
For the Year Ended December 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Legislative	\$ 74,261	\$ -	\$ -	\$ -
General government	1,182,611	352,977	-	-
Public safety	1,063,939	291,938	-	-
Public works	843,496	702,307	-	-
Recreation and cultural	86,217	-	13,387	68,900
Interest on long term debt	-	-	-	-
Total governmental activities	3,250,524	1,347,222	13,387	68,900
Business-type activities:				
Sewer	4,465,154	2,034,218	-	898,220
Total business-type activities	4,465,154	2,034,218	-	898,220
Total primary government	\$ 7,715,678	\$ 3,381,440	\$ 13,387	\$ 967,120

General revenues:
Property taxes
Unrestricted grants and contributions
Unrestricted investment earnings
Gain on disposal of capital assets
Total general revenues and transfers
Change in net assets
Net assets - beginning of year
Net assets - end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (74,261)	\$ -	\$ (74,261)
(829,634)	-	(829,634)
(772,001)	-	(772,001)
(141,189)	-	(141,189)
(3,930)	-	(3,930)
-	-	-
(1,821,015)	-	(1,821,015)
-	(1,532,716)	(1,532,716)
-	(1,532,716)	(1,532,716)
(1,821,015)	(1,532,716)	(3,353,731)
1,157,319	95,271	1,252,590
890,439	-	890,439
26,163	22,877	49,040
-	-	-
2,073,921	118,148	2,192,069
252,906	(1,414,568)	(1,161,662)
2,921,121	11,141,816	14,062,937
\$ 3,174,027	\$ 9,727,248	\$ 12,901,275

Fund Financial Statements

**Charter Township of Fenton
Balance Sheet
Governmental Funds
December 31, 2004**

	General Fund	Waste Collection Fund	Fire Fund
Assets			
Cash and equivalents	\$ 504,159	\$ 232,193	\$ 360,346
Receivables:			
Accounts	49,994	2,311	-
Taxes	414,312	-	-
Special assessments	20,350	473,033	424,353
Due from other funds	58,544	-	-
Due from other governments	378,968	-	6,420
Prepays	31,059	-	11,466
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,457,386	\$ 707,537	\$ 802,585
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	\$ 230,929	\$ 46,890	\$ 3,497
Deposits payable	41,930	-	-
Due to other governments	151,017	-	-
Due to other funds	8,261	-	-
Deferred revenue	469,120	537,483	478,855
	<hr/>	<hr/>	<hr/>
Total liabilities	901,257	584,373	482,352
	<hr/>	<hr/>	<hr/>
Fund Equity and Other Credits			
Fund balances:			
Reserved for prepaids	31,059	-	11,466
Unreserved, reported in:			
General fund	525,070	-	-
Special revenue funds	-	123,164	308,767
	<hr/>	<hr/>	<hr/>
Total fund balances	556,129	123,164	320,233
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,457,386	\$ 707,537	\$ 802,585
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

Mosquito Control Fund	Totals Governmental Funds
\$ 76,793	\$ 1,173,491
512	52,817
-	414,312
127,045	1,044,781
-	58,544
-	385,388
-	42,525
<u>\$ 204,350</u>	<u>\$ 3,171,858</u>
\$ -	\$ 281,316
-	41,930
-	151,017
-	8,261
143,194	1,628,652
<u>143,194</u>	<u>2,111,176</u>
-	42,525
-	525,070
61,156	493,087
<u>61,156</u>	<u>1,060,682</u>
<u>\$ 204,350</u>	<u>\$ 3,171,858</u>

**Charter Township of Fenton
Reconciliation of Fund Balances as Reported in the Governmental
Balance Sheet to the Statement of Net Assets
December 31, 2004**

Fund balances of governmental funds	\$ 1,060,682
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements	2,474,163
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,989,470)
Certain receivables and other assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	<u>1,628,652</u>
Net assets of governmental activities	<u><u>\$ 3,174,027</u></u>

See notes to financial statements.

Charter Township of Fenton
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2004

	General Fund	Waste Collection Fund	Fire Fund
Revenues:			
Taxes and collection fees	\$ 647,972	\$ -	\$ -
Special assessments	-	537,787	469,365
Licenses and permits	361,126	-	-
Federal revenue	82,287	-	-
State revenue	895,388	-	-
Charges for services	169,442	-	67,771
Fines and forfeits	29,030	-	-
Interest	18,528	2,708	4,407
Other revenue	12,097	-	500
	<hr/>	<hr/>	<hr/>
Total revenues	2,215,870	540,495	542,043
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Legislative	156,548	-	-
General government	1,078,421	-	-
Public safety	592,064	-	400,667
Public works	325,946	558,006	-
Recreation and cultural	3,930	-	-
Other	184,634	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	2,341,543	558,006	400,667
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(125,673)	(17,511)	141,376
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	681,802	140,675	178,857
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 556,129	\$ 123,164	\$ 320,233
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

Mosquito Control Fund	Total Governmental Funds
\$ -	\$ 647,972
143,646	1,150,798
-	361,126
-	82,287
-	895,388
-	237,213
-	29,030
520	26,163
-	12,597
144,166	3,442,574
-	156,548
129,190	1,207,611
-	992,731
-	883,952
-	3,930
-	184,634
129,190	3,429,406
14,976	13,168
46,180	1,047,514
\$ 61,156	\$ 1,060,682

**Charter Township of Fenton
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 13,168
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(104,622)
The payment of principal on long-term debt (e.g., bonds) consumes current financial resources of governmental funds,. However, on the statement of net assets, repayments of principal are recorded as a reduction to long term debt payable and do not affect net assets.	283,504
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.	<u>60,856</u>
Change in net assets of governmental activities	<u><u>\$ 252,906</u></u>

See notes to financial statements.

**Charter Township of Fenton
Statement of Net Assets
Proprietary Fund
June 30, 2003**

	Business-type Activities - Enterprise Fund Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,334,421
Restricted cash with agent	6,325,628
Receivables:	
Accounts	8,915
Taxes	270,041
Special assessments	58,043
User fees	127,656
Connection fees	69,994
Accrued interest	22,065
Due from other funds	8,261
Prepaid items	1,433
	<hr/>
Total current assets	8,226,457
	<hr/>
Noncurrent assets:	
Capital assets:	
Sewer utility system	38,859,008
Construction in progress	78,600
Less accumulated depreciation	10,172,984
	<hr/>
Net capital assets	28,764,624
	<hr/>
Deferred loss on bond refunding	68,250
	<hr/>
Total assets	\$ 37,059,331
	<hr/>

See notes to financial statements.

	Business-type Activities - Enterprise Fund Sewer
Liabilities	
Current liabilities:	
Accounts payable	\$ 196,325
Accrued interest	189,812
Deferred revenue	112,194
General obligation contract payable-current	<u>996,780</u>
 Total current liabilities	 1,495,111
Noncurrent liabilities:	
General obligation contract payable - long term	<u>25,836,972</u>
 Total liabilities	 <u>27,332,083</u>
Net assets	
Invested in capital assets, net of related debt	2,927,652
Unrestricted	<u>6,799,596</u>
 Total net assets	 <u>9,727,248</u>
 Total liabilities and net assets	 <u><u>\$ 37,059,331</u></u>

Charter Township of Fenton
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended December 31, 2004

	Business-type Activities - Enterprise Fund Sewer
Operating revenues:	
Charges for services	\$ 2,034,218
Operating expenses:	
Contractual services:	
Sewer treatment fees	984,294
Other	1,626,192
Administrative expense	130,000
Professional fees	2,115
Depreciation	831,063
Miscellaneous	27,315
Utilities	54,111
Billing fees and postage	4,000
Equipment repairs and maintenance	66,744
Insurance	3,346
	<u>3,729,180</u>
Total operating expenses	
	<u>(1,694,962)</u>
Nonoperating revenues (expenses):	
Property taxes	95,271
Interest income:	
Connection fees	7,853
Savings account and certificates of deposit	9,290
Special assessments	5,734
Tap in fees	898,220
Bond interest expense	(715,801)
Bond agent fees	(2,741)
Loss on disposal of fixed assets	(17,432)
	<u>280,394</u>
Total nonoperating expenses	
Change in net assets	(1,414,568)
Net assets - beginning of year	<u>11,141,816</u>
Net assets - end of year	<u><u>\$ 9,727,248</u></u>

See notes to financial statements.

**Charter Township of Fenton
Statement of Cash Flows
Proprietary Fund
December 31, 2004**

	Business-type Activities - Enterprise Fund Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 2,061,813
Cash payments to suppliers for goods and services	(2,870,393)
Net cash used in operating activities	(808,580)
Cash flows from non-capital financing activities:	
Property taxes received	152,001
Cash flows from capital and related financing activities:	
Principal payments on bonds	(1,003,236)
Bond proceeds	12,600,000
Interest and paying agent fees paid on bonds	(689,243)
Connection fees - customers	950,967
Purchase of capital assets	(7,702,994)
Interest received on special assessments and connection fees	13,587
Net cash provided by capital and related financing activities	4,169,081
Cash flows from investing activities:	
Interest received	9,290
Net increase in cash and cash equivalents	3,521,792
Cash and cash equivalents - beginning of year	4,138,257
Cash and cash equivalents - end of year	\$ 7,660,049
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,694,962)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	831,063
Changes in assets and liabilities:	
Decrease in receivables	5,494
Decrease in due from other funds	8,786
Increase in prepaids	(877)
Increase in accounts payable	128,601
Decrease in due to other funds	(100,000)
Increase in deferred revenue	13,315
Total adjustments	886,382
Net cash used in operating activities	\$ (808,580)

Noncash operating and financing activities:

Interest expense of \$19,500 was recognized in 2004 as the deferred loss on refunding was amortized.

See notes to financial statements.

**Charter Township of Fenton
Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2004**

	<u>Agency Funds</u>
Assets	
Cash and equivalents	<u>\$ 3,428,801</u>
Total assets	<u><u>\$ 3,428,801</u></u>
Liabilities	
Accounts payable	\$ 6,575
Deposits payable	294,549
Due to other governments	8,817
Due to other funds	58,544
Undistributed taxes	<u>3,060,316</u>
Total liabilities	<u><u>\$ 3,428,801</u></u>

See notes to financial statements.

Notes to Basic Financial Statements

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies

A. Reporting entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Fenton and any component units. Accounting principles require that a component unit be included in the Township's reporting entity when there exists a significant operational or financial relationship with the Township. The Township had no component units at December 31, 2004.

B. Government-wide and fund financial statements

During the year ended December 31, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounting for in another fund.

The *waste collection fund* is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The *fire fund* is used to account for the revenues and expenditures related to fire protection.

The Township reports the following major proprietary funds:

The Sewer Disposal System is a separate fund maintained for the operations of the sewage pumping system that transmit the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Township as an agent for individuals, private organization and other governments. Agency funds are reported as fiduciary funds and are not included in the government-wide Statement of Net Assets and Statement of Activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *options* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State's statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The Township levies property taxes on December 1 each year, and the taxes are payable without penalty through February 28. These taxes become liens on the property at the levy date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded on the fund financial statement recognizing the asset as unavailable for current appropriation.

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

2. Receivables and payables – (continued)

Property taxes are levied as of December 1, on property values assessed as of the same date. The tax levy is divided into two billings: the first billing (mailed on February 1) is an estimate of the current year's levy based on the prior year's taxes; the second billing (mailed on August 1) reflects adjustments to the current year's actual levy. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements.

4. Restricted assets

At year end, the Township had unspent bond proceeds of \$7,300,319 on deposit with the Genesee County Water and Wastes Services Division for the construction of sewer line improvements. The Division will hold these bond proceeds on behalf of the Township and expend the bond proceeds for allowable construction costs.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended December 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15
Building and improvements	40
Sewer system infrastructure	50
Machinery and equipment	3-15
Furniture and fixtures	5

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$1,989,470 difference are as follows:

Bonds payable	\$1,549,216
Special assessment debt	385,000
Compensated absences	<u>55,254</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i>	
To arrive at <i>net assets – governmental activities</i>	<u>\$1,989,470</u>

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this (\$104,622) difference are as follows:

Capital outlay	\$ 157,432
Depreciation expense	<u>(262,054)</u>
Net adjustment to increase <i>net changes in fund balances – total Governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (104,622)</u></u>

III. Stewardship, compliance, and accountability

A. Budgets

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Township Board prepares a preliminary operating budget covering the General Fund and the Special Revenue Funds in accordance with accounting principles generally accepted in the United States of America for presentation at a public hearing.
2. A public hearing is held in conjunction with a regular board meeting.
3. The Township Board adopts the budget on the departmental level at a regular board meeting.
4. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances at December 31, 2004, has not been calculated.
5. Presented budgeted amounts are as originally adopted, or as amended by the Township Board.
6. A comparison of actual results of expenditures to the General Fund budget as adopted by the Township Board is included in the individual fund statements. This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the individual Special Revenue Fund budgets as adopted by the Township Board is available at the Township office for inspection.

B. Excess of expenditures over appropriations

For the year ended December 31, 2004, expenditures exceeded appropriations in the township board department (the legal level of budgetary control) of the general fund by \$64,548. These over expenditures were funded by grant revenue.

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds

A. Deposits and investments

At year end, the Township's carrying amount of deposits was \$3,991,637, excluding petty cash of \$700 and the bank balance was \$5,157,480. Of the bank balance, \$100,015 was covered by federal depository insurance or by collateral held by the Township's agent in the Township's name.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the Township or its agent in the Township's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Township's

At year end, the Township's investment balances were as follows:

	<u>Category</u>			<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Repurchase Agreement	\$ -0-	\$ -0-	\$1,944,376	\$1,944,376

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental</u>	<u>Business</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	<u>Funds</u>	<u>Primary</u>
Cash and cash equivalents	\$1,173,491	\$1,334,421	\$3,428,801	\$5,936,713
Restricted cash and equivalents with agent	-	7,300,719	-	7,300,719
Total	\$1,173,491	\$8,635,140	\$3,428,801	\$13,237,432

Due to higher cash flows at certain times during the year, the Township's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in category 3 at those times were substantially higher than at year end.

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Waste Collection Fund</u>	<u>Fire Fund</u>	<u>Sewer Disposal Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$414,312	\$ -	\$ -	\$270,041	\$ -	\$684,353
Accounts	49,994	2,311	-	206,565	512	259,382
Special assessment	20,350	473,033	424,353	58,043	127,045	1,102,824
Intergovernmental	378,968	-	6,420	-	-	385,388
Accrued interest	-	-	-	22,065	-	22,065
Gross receivables	863,624	475,344	430,773	556,714	127,557	2,454,012
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$863,624</u>	<u>\$475,344</u>	<u>\$430,773</u>	<u>\$556,714</u>	<u>\$127,557</u>	<u>\$2,454,012</u>

C. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Balance 1-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-04</u>
Governmental activities:				
Capital assets, not being depreciated	\$ 60,690	\$ -	\$ -	\$ 60,690
Capital assets, being depreciated:				
Land improvements	118,234	101,426	-	219,660
Buildings and improvements	1,787,487	2,552	-	1,790,039
Machinery and equipment	1,730,945	53,454	(10,000)	1,774,399
Furniture and fixtures	16,172	-	-	16,172
Total capital assets being depreciated	<u>3,652,838</u>	<u>157,432</u>	<u>(10,000)</u>	<u>3,800,270</u>
Less accumulated depreciation for:				
Land improvements	(46,527)	(14,428)	-	(60,955)
Buildings and improvements	(223,955)	(44,749)	-	(268,704)
Machinery and equipment	(858,135)	(199,642)	10,000	(1,047,777)
Furniture and fixtures	(6,126)	(3,235)	-	(9,361)
Total accumulated depreciation	<u>(1,134,743)</u>	<u>(262,054)</u>	<u>10,000</u>	<u>(1,386,797)</u>
Total capital assets being depreciated, net	<u>2,518,095</u>	<u>(104,622)</u>	<u>-</u>	<u>2,413,473</u>
Governmental activities capital assets, net	<u>\$2,578,785</u>	<u>\$(104,622)</u>	<u>\$ -0-</u>	<u>\$2,474,163</u>

Charter Township of Fenton
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

	<u>Balance</u> <u>1-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-04</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 171,761	\$ 410,660	\$(503,821)	\$ 78,600
Total capital assets, not being depreciated	<u>171,761</u>	<u>410,660</u>	<u>(503,821)</u>	<u>78,600</u>
Capital assets, being depreciated:				
Buildings	47,990	-	-	47,990
Improvements other than buildings	31,049,883	7,796,155	(35,020)	38,811,018
Total capital assets being depreciated	<u>31,097,873</u>	<u>7,796,155</u>	<u>(35,020)</u>	<u>38,859,008</u>
Less accumulated depreciation for:				
Buildings	(6,399)	(1,600)	-	(7,999)
Improvements other than buildings	(9,353,110)	(829,463)	17,588	(10,164,985)
Total accumulated depreciation	<u>(9,359,509)</u>	<u>(831,063)</u>	<u>17,588</u>	<u>(10,172,984)</u>
Total capital assets being depreciated, net	<u>21,738,364</u>	<u>6,965,092</u>	<u>(17,432)</u>	<u>28,686,024</u>
Business-type activities capital assets, net	<u>\$21,910,125</u>	<u>\$7,375,752</u>	<u>\$(521,253)</u>	<u>\$28,764,624</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$133,611
Public safety	<u>128,443</u>
Total depreciation expense – government activities	<u>\$262,054</u>
Business-type activities:	
Sewer	<u>\$811,561</u>
Total depreciation expense – business-type activities	<u>\$811,561</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2004 is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
General	Tax Collection Agency	\$ 58,544
Sewer	General	<u>8,261</u>
Total		<u>\$ 66,805</u>

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

IV. Detailed notes on all funds – (continued)

E. Leases

Operating leases:

The Township has entered into a long-term noncancelable operating lease for copier/fax equipment. The following is a schedule, by year, of future minimum rental payments required under noncancelable operating lease as of December 31, 2004:

2005	\$ 8,981
2006	8,981
2007	8,981
2008	8,981
2009	<u>2,245</u>
Total minimum payments required	<u>\$ 38,169</u>

Rental expense for the operating lease for the year ended December 31, 2004 amounted to \$8,187.

F. Long-term debt

The Township was a participant in the county-wide sanitary sewer construction program. This program was financed by general obligation bonds issued by Genesee County. The Township was obligated to assume the portion of the total debt for the construction of the sewer system within its boundaries. The sewer contracts are supported by the full faith and credit of the Township. Significant details regarding the Township's obligations under this program, and details regarding other long-term liabilities, are as follows:

General obligation contracts payable at December 31, 2004, in the Sewer Utility Enterprise Fund are comprised of the following individual issues:

	<u>Principal Outstanding December 31, 2004</u>
\$3,370,000 Southwest Extensions Refunding Bonds, Series 1998 contract due in annual installments of \$330,000 to \$395,000 through May 1, 2008, interest at 4.25 to 4.55 percent	\$ 1,465,000
\$2,531,321 Sewage Disposal System No. 3 Bonds, Series 1998 contract due in annual installments of \$67,355 to \$324,368 through April 1, 2019, interest at 4.5 to 5 percent	2,302,477
\$1,240,000 Ripley Rolston contract due in annual installments of \$50,000 to \$100,000 through October 1, 2017, interest at 5.0 to 5.5 percent	1,075,000
\$5,957,468 Sewer Disposal System No. 3 - Series 1996A contract due in annual installments of \$324,425 to \$478,100 through May 1, 2016, interest at 5.2 to 7.0 percent	5,071,275

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

IV. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

	<u>Principal Outstanding December 31, 2004</u>
\$4,000,000 Sewage Disposal System No. 3 Bonds Series 2003A contract due in annual installments of \$125,000 to \$250,000 through December 1, 2024, interest at 4.05 percent	4,000,000
\$1,925,000 Torrey and Ponemah Road Arms contract due in annual installments of \$80,000 through May 1, 2008, interest at 5.89 percent	320,000
\$4,600,000 Sewage Disposal System No. 3 Bonds Series 2004B contract due in annual installments of \$100,000 to \$400,000 through April 2024, interest at 5 percent	4,600,000
\$8,000,000 Improvement Projects Series 2004A contract due in annual installments of \$250,000 to \$700,000 through April 2024, interest at 5 percent	<u>8,000,000</u>
	<u>\$26,833,752</u>

Governmental long-term debt payable at December 31, 2004 consists of the following liabilities:

Installment obligation to Genesee County Road Commission payable in annual installments ranging from \$45,183 to \$89,646, through September 1, 2010, plus interest ranging from 5.083 to 6.96 percent, secured by the Township's limited tax full faith and credit	\$ 443,816
Installment purchase through Citizens Bank, payable in annual installments of \$36,000 through November 1, 2007, plus interest at 5.75%, secured by the Township's limited tax full faith and credit	108,000
Installment purchase obligation to the State Bank, payable in annual installments of \$11,750 through July 1, 2010, plus interest at 4.0%, secured by the Township's limited tax full faith and credit	70,500
Installment purchase obligation to The State Bank, payable in annual installments of \$71,300 through April 1, 2017, plus interest at 4.5%, secured by the Township's limited tax full faith and credit	<u>926,900</u>
Total notes payable	<u>1,549,216</u>
Compensated absences	<u>55,254</u>
Special Assessment Debt with Governmental Commitment Bonds payable to Bank One, payable in annual installments of \$30,000 through March 1, 2005, plus interest not exceeding 8 percent secured by the revenues of the Four Lakes Special Assessment Improvement Project and the Township's limited tax full faith and credit	30,000

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

IV. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

	Principal Outstanding <u>December 31, 2004</u>
Special Assessment Debt with Governmental Commitment Bonds payable to Michigan National Bank, payable in annual installments of \$25,000 through March 1, 2009, plus interest ranging from 5.35 to 5.40 percent, secured by the revenues of the Wenwood/Wendell Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	120,000
Special Assessment Debt with Governmental Commitment Bonds payable to Citizens Banking Corporation, payable in annual installments of \$25,000 to \$35,000 through May 1, 2012, plus interest at 5.675 percent, secured by the revenues of the Curtwood Drive/Silver Ridge Road Special Assessment Road Improvement Project and the Township's limited tax full faith and credit	<u>235,000</u>
Total special assessment debt with governmental commitment	<u>385,000</u>
Total general long-term debt	<u><u>\$1,989,470</u></u>

A summary of changes in general long-term debt principal is as follows:

	Balance <u>1-1-04</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-04</u>	Due Within <u>One Year</u>
Governmental activities:					
Notes payable:					
Genesee County Road Commission	\$ 533,462	\$ -	\$ 89,646	\$ 443,816	\$ 89,646
Citizens Bank	144,000	-	36,000	108,000	36,000
The State Bank	82,250	-	11,750	70,500	11,750
The State Bank	998,200	-	71,300	926,900	71,300
Special assessment debt with governmental commitment:					
Standard Federal	145,000	-	25,000	120,000	25,000
Bank One	60,000	-	30,000	30,000	30,000
Citizens Banking Corporation	260,000	-	25,000	235,000	25,000
Accumulated sick and vacation time	50,062	5,192	-	55,254	55,254
Settlement claim payable	1,000,000	-	1,000,000	-	-
	<u>\$3,272,974</u>	<u>\$ 5,192</u>	<u>\$1,288,696</u>	<u>\$1,989,470</u>	<u>\$343,950</u>

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

IV. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

	<u>Balance 1-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-04</u>	<u>Due Within One Year</u>
Business activities:					
General obligation contracts:					
Southwest extensions					
Refunding bonds 1998	\$1,825,000	\$ -	\$ 360,000	\$1,465,000	\$350,000
Sewage Disposal System No. 3					
Bonds 1998	2,369,832	-	67,355	2,302,477	67,355
Ripley Rolston	1,125,000	-	50,000	1,075,000	50,000
Sewer Disposal System No. 3					
1996A	5,317,155	-	245,880	5,071,275	324,425
Sewer Disposal System No. 3					
2003A	4,000,000	-	-	4,000,000	125,000
Torrey and Ponemah Road Arm	400,000	-	80,000	320,000	80,000
Fenton Road Arm	200,000	-	200,000	-	-
Sewage Disposal System No. 3					
2004B	-	4,600,000	-	4,600,000	-
Improvements projects	-	8,000,000	-	8,000,000	-
	<u>\$15,236,987</u>	<u>\$12,600,000</u>	<u>\$1,003,235</u>	<u>\$26,833,752</u>	<u>\$996,780</u>

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments, are as follows:

<u>Period Ending December 31</u>	<u>Special Assessment Debt With Governmental Commitment</u>	<u>General Long-Term Debt Notes Payable</u>	<u>Sewer Utility Enterprise Fund Contracts Payable</u>	<u>Total</u>
2005	\$100,325	\$ 279,031	\$ 2,143,045	\$ 2,522,401
2006	66,023	260,599	2,577,750	2,904,372
2007	58,802	249,036	2,554,519	2,862,357
2008	65,905	185,669	2,497,229	2,748,803
2009	62,875	164,175	2,071,812	2,298,862
2010-2014	108,795	561,434	10,501,632	11,171,861
2015-2019	-	233,152	9,505,636	9,738,788
2020-2024	-	-	6,964,200	6,964,200
	<u>\$462,725</u>	<u>\$1,933,096</u>	<u>\$38,815,823</u>	<u>\$41,211,644</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of December 31, 2004, the Charter Township of Fenton incurred \$1,549,216 applicable to limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit was \$79,965,991.

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

IV. Detailed notes on all funds – (continued)

F. Long-term debt – (continued)

During the year ended December 31, 1998, the Township advance refunded the Southwest Extension Sewer Bonds originally issued for \$6,900,000. New bonds were issued in the amount of \$3,370,000 resulting in a reduction of \$189,504 in future payments, including interest. The proceeds of the new bonds were invested in U.S. Government Securities and placed in an irrevocable trust to provide funds to repay the refunded bonds and interest at the original payment dates. Accordingly, these bonds have been considered to be extinguished in an in-substance defeasance, and the securities and bonds do not appear in the balance sheet at December 31, 2004. The outstanding balance on the Southwest Extension Sewer Bonds was \$1,825,000 at December 31, 2004.

A deferred loss on refunding was recognized during 1998 for \$195,000 and is being amortized over the life of the new bonds. The unamortized portion of the loss is \$68,250 at December 31, 2004.

V. Other information

A. Revenues and expenditures

Property taxes:

Property taxes are levied based on taxable values of property located in the Township. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$783,212,005	\$612,189,453
Personal property	<u>16,447,905</u>	<u>16,447,905</u>
Total	<u>\$799,659,910</u>	<u>\$628,637,358</u>

For the year ended December 31, 2004, the Township levied .7425 mills for general operations and .1527 for debt retirement.

B. Pension plan

The Township has a defined contribution pension plan covering all eligible employees who wish to participate. The plan is administered by Manufacturer's Life Insurance Company. By Township ordinance, the Township contributes 10 percent and employees contribute 5 percent of wages to the plan. The employee may voluntarily contribute in excess of that amount. Benefits are fully vested after 20 months of service with the benefit payable at age 55, or retirement, if later. Employees between the ages of 18 and 65 with at least 90 days of service who wish to participate may elect coverage on January 1, of the plan year. Total payroll and covered payroll for the year was \$786,016 and \$573,298, respectively. The Township's 2004 contributions were \$57,330, which represented 10 percent of covered payroll. Employees contributed \$40,161 during 2004.

**Charter Township of Fenton
Notes to Financial Statements
December 31, 2004**

V. Other information – (continued)

C. Post employment benefits other than pension

The Township passed an ordinance to continue to provide single coverage health benefits to certain active employees after they retire or leave office. The ordinance provides that health and medical benefits will be provided to eligible retirees. All employees age 55 or older with 20 years of full-time service are eligible.

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, one retiree was eligible to receive these benefits. Benefits of \$5,637 were provided during 2004.

D. Contingent liabilities

Federal grants:

The Township participates in the federally assisted Community Development Block Grant and C.O.P.S. programs. These programs were not subject to compliance audits during the year because of the level of federal expenditures. The amount, if any, of expenditures which may be disallowed by the granting agency at a future date cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

E. Risk management

The Township is exposed to various risks at loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits and sewer discharge liabilities. The Township pays unemployment and sewer discharge claims on a reimbursement basis. At December 31, 2004, there are no outstanding claims for events not covered by commercial insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

F. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The Township chose to include the revenues and expenditures in a separate activity center within the General Fund. The activity related to construction code activity for the year ended December 31, 2004 is as follows:

Total revenues	\$215,486
Total expenditures	<u>301,021</u>
Excess expenditures over revenues	<u><u>\$ (85,535)</u></u>

Fund balance in the General fund was not reserved for building department activities on the balance sheet at December 31, 2004.

Required Supplementary Information

**Charter Township of Fenton
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Taxes and collection fees	\$ 601,300	\$ 644,000	\$ 647,972	\$ 3,972
Licenses and permits	373,500	418,500	361,126	(57,374)
Federal revenue	-	-	82,287	82,287
State revenue	962,600	904,200	895,388	(8,812)
Charges for services	130,500	165,500	169,442	3,942
Fines and forfeits	25,800	36,400	29,030	(7,370)
Interest	30,000	25,000	18,528	(6,472)
Other revenue	14,950	12,950	12,097	(853)
Total revenues	2,138,650	2,206,550	2,215,870	9,320
Expenditures:				
Legislative:				
Township board	92,000	92,000	156,548	(64,548)
General government	1,153,050	1,161,900	1,078,421	83,479
Public safety	530,806	631,600	592,064	39,536
Public works	217,600	375,500	325,946	49,554
Recreational and cultural	12,200	12,200	3,930	8,270
Other	183,200	192,900	184,634	8,266
Total expenditures	2,188,856	2,466,100	2,341,543	124,557
Excess (deficiency) of revenues over expenditures	(50,206)	(259,550)	(125,673)	133,877
Other financing uses:				
Transfers out	(125,000)	-	-	-
Excess (deficiency) of revenues over expenditures and other financing uses	(175,206)	(259,550)	(125,673)	133,877
Fund balance - beginning of year	681,802	681,802	681,802	-
Fund balance - end of year	\$ 506,596	\$ 422,252	\$ 556,129	\$ 133,877

**Charter Township of Fenton
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Waste Collection Special Revenue Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Special assessments	\$ 540,000	\$ 540,000	\$ 537,787	\$ (2,213)
Interest	5,000	5,000	2,708	(2,292)
Total revenues	545,000	545,000	540,495	(4,505)
Expenditures:				
Public works	560,000	561,500	558,006	3,494
Deficiency of revenues over expenditures	(15,000)	(16,500)	(17,511)	(1,011)
Fund balance - beginning of year	140,675	140,675	140,675	-
Fund balance - end of year	\$ 125,675	\$ 124,175	\$ 123,164	\$ (1,011)

**Charter Township of Fenton
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Fire Special Revenue Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Special Assessments	\$ 470,000	\$ 470,000	\$ 469,365	\$ (635)
Charges for services	48,000	70,000	67,771	(2,229)
Interest	2,000	3,500	4,407	907
Other revenue	500	500	500	-
Total revenues	520,500	544,000	542,043	(1,957)
Expenditures:				
Public safety	553,300	553,200	400,667	152,533
Excess (deficiency) of revenues over expenditures	(32,800)	(9,200)	141,376	150,576
Other financing sources:				
Transfers in	125,000	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	92,200	(9,200)	141,376	150,576
Fund balance - beginning of year	178,857	178,857	178,857	-
Fund balance - end of year	\$ 271,057	\$ 169,657	\$ 320,233	150,576

**Charter Township of Fenton
Schedules of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Mosquito Special Revenue Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Special assessments	\$ 140,000	\$ 143,600	\$ 143,646	\$ 46
Interest	1,000	500	520	20
Total revenues	141,000	144,100	144,166	66
Expenditures:				
General government	122,000	129,500	129,190	310
Excess of revenues over expenditures	19,000	14,600	14,976	376
Fund balance - beginning of year	46,180	46,180	46,180	-
Fund balance - end of year	\$ 65,180	\$ 60,780	\$ 61,156	\$ 376

**Charter Township of Fenton
Balance Sheets
Agency Funds
December 31, 2004**

	Agency Funds		Totals 2004
	Trust & Agency Fund	Current Tax Collection Fund	
Assets			
Cash and equivalents	\$ 301,135	\$ 3,127,666	\$ 3,428,801
Total assets	\$ 301,135	\$ 3,127,666	\$ 3,428,801
Liabilities			
Accounts payable	\$ 6,575	\$ -	\$ 6,575
Deposits payable	294,549	-	294,549
Due to other governments	11	8,806	8,817
Due to other funds	-	58,544	58,544
Undistributed taxes	-	3,060,316	3,060,316
Total liabilities	\$ 301,135	\$ 3,127,666	\$ 3,428,801

Charter Township of Fenton
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
<u>Trust and Agency Fund</u>				
Assets				
Cash and equivalents	\$ 310,488	\$ 295,433	\$ 304,786	\$ 301,135
Total assets	\$ 310,488	\$ 295,433	\$ 304,786	\$ 301,135
Liabilities				
Accounts payable	\$ 5,426	\$ 280,387	\$ 279,238	\$ 6,575
Deposits payable	302,493	250,765	258,709	294,549
Due to other governments	10	239	238	11
Due to other funds	2,559	4,234	6,793	-
Total liabilities	\$ 310,488	\$ 535,625	\$ 544,978	\$ 301,135
<u>Current Tax Collection Fund</u>				
Assets				
Cash and equivalents	\$ 3,430,088	\$ 19,999,129	\$ 20,301,551	\$ 3,127,666
Liabilities				
Due to other governments	\$ 11,593	\$ 8,837	\$ 11,624	\$ 8,806
Due to other funds	34,412	84,769	60,637	58,544
Undistributed taxes	3,384,083	21,345,657	21,669,424	3,060,316
Total liabilities	\$ 3,430,088	\$ 21,439,263	\$ 21,741,685	\$ 3,127,666

(continued)

Charter Township of Fenton
Statement of Changes in Assets and Liabilities (continued)
Agency Funds
Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
<hr/>				
<u>Total - All Agency Funds</u>				
Assets				
Cash and equivalents	\$ 3,740,576	\$ 20,294,562	\$ 20,606,337	\$ 3,428,801
	<hr/>			
Total assets	\$ 3,740,576	\$ 20,294,562	\$ 20,606,337	\$ 3,428,801
	<hr/>			
Liabilities				
Accounts payable	\$ 5,426	\$ 280,387	\$ 279,238	\$ 6,575
Deposits payable	302,493	250,765	258,709	294,549
Due to other governments	11,603	9,076	11,862	8,817
Due to other funds	36,971	89,003	67,430	58,544
Undistributed taxes	3,384,083	21,345,657	21,669,424	3,060,316
	<hr/>			
Total liabilities	\$ 3,740,576	\$ 21,974,888	\$ 22,286,663	\$ 3,428,801
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